

**Internal Revenue Service**

**Department of the Treasury**

District  
Director

[REDACTED]  
Date: FEB 18 1987

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated [REDACTED] under the laws of the State of [REDACTED]. Your purposes as stated in your Article of Association are:

A. To help the Fish and Wildlife Department in the enforcement of our laws and regulations by offering rewards (money) for information that leads to a citation or conviction.

B. To promote conservation, education of both young and adults, the principles of fair chase, and the elimination of acts of vandalism, littering, poaching and land abuse.

C. To provide a statewide organization which will pay rewards, (anonymous) to any person who provides evidence or information that leads to a citation or conviction.

D. We will raise money by Public and Business donations for the purpose of paying these rewards.

E. To carry on any business whatsoever which this corporation may deem proper or convenient in connection with any of the foregoing provisions or which may be calculated directly or indirectly to promote the interest of this corporation.

F. To do all things incident or necessary to the carrying on of such a non-profit corporation.

A description of your activities indicates that the organization is protecting the natural resources and helping the State enforcement personnel by offering monetary rewards to private citizens who phone in anonymous tips (information) that lead to the issuing of citations by the State enforcement personnel.

If a citation has been issued, the F & W Department will inform the [REDACTED] Executive Committee by phone immediately with enough information so it can determine a reward (Big Game = \$[REDACTED]; Small Game = \$[REDACTED] as a rule). The [REDACTED] operator will instruct the tipster to call back in 7 days for the phone number of the dropster in the immediate area. The tipster will be told to call this number and identify by saying it is an [REDACTED] call.

The Committeeperson phoned must contact the rest of the Executive Committee to determine the amount of reward. The person must also contact the dropster and find out his convenient phone schedule and pass this information on to the operator.

The Treasurer will draw a check and send it to the dropster: dropster cashes the check and waits for the phone call from the tipster to arrange the drop.

One week later, the tipster calls the dropster and gives the case number and the verification code. The tipster is told the amount of the reward and primary drop in that area. If this is not satisfactory, the dropster will make better arrangements for the drop.

The dropster makes the payoff or arranges payment, and if possible gets the tipster to sign the case number as a receipt. Dropsters are asked to make drops in pairs as precaution.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

Section 1.501(c)(3)-1(b)(4) of the Regulations states that "an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, it upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders."

Since the awards are issued to anonymous individuals, no control is maintained to insure the funds of the organization are expended for 501(c)(3) purposes

Also, you lack a clause limiting the purposes and activities of the organization to those enumerated in section 501(c)(3) as well as a clause providing for distribution of assets upon dissolution of the organization.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the code and propose to deny your request for exemption under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination you may protest in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

District Director

Enclosure: Publication 892